

Message Text

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ACTION AGR-20

INFO OCT-01 NEA-10 ISO-00 EB-11 AID-20 OMB-01 SWF-02

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TO SECSTATE WASHDC 1236

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: FERTILIZER AND THE INDIAN ECONOMY: IMPACT OF
US POLICIES

SUMMARY: IN WHICH WE SET OUT THE IMPORTANCE OF FERTILIZER
(AND AGRICULTURAL SECTOR IN GENERAL) IN INDIA. WE RE-
VIEW INDIA'S PROBLEMS AND COME UP WITH THREE SPECIFIC
INITIATIVES WE HAVE EITHER ALREADY TAKEN OR PROPOSE TO TAKE.
WE ASK FOR YOUR ASSISTANCE, ESPECIALLY IN ENSURING THAT
IN FY75. EMD SUMMARY.

1. WE HAVE A TENDENCY TO SEND LONG CABLES AND PERHAPS TO
TELL YOU MORE THAN YOU WANT TO KNOW. THIS MESSAGE WILL TAKE
THE OPPOSITE TACK.

2. WE DON'T THINK THERE IS ANY NEED TO WRITE A TREATISE
ON THE IMPORTANCE OF THE AVAILABILITY OF FERTILIZER TO
THE INDIAN ECONOMY. THIS IS STILL FUNDAMENTALLY A RURAL
ECONOMY - ABOUT 50 PERCENT OF GNP DERIVES FORM THE AGRICULTURAL
SECTOR. MOST OF INDIA'S FARM LAND HAS BEEN UNDER CULTIVA-
TION FOR CENTURIES AND IS BADLY DE-

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PLETED OF ESSENTIAL PLANT FOOD NUTRIENTS. DISPUTE THIS,

THE FERTILIZER USED PER ACRE OF ARABLE LAND IN INDIA IS ABOUT ONE-FOURTH OF THE WORLD AVERAGE.

3. THE AVAILABILITY OF FOOD IS CRUCIAL TO THIS COUNTRY WHETHER ONE CONSIDERS ITS ECONOMY AND THE INFLATIONARY PRESSURES IT FACES OR ITS POLITICS - FOOD SUPPLIES OR LACK OF FOOD WILL MAKE OR BREAK FURTHER STATE GOVERNMENTS AND MAY MAKE OR BREAK THE CENTRAL GOVERNMENT. CERTAINLY THE SUCCESS FOR FAILURE OF PRESENT AGRICULTURAL "LIBERALIZATION" INCLUDING DENATIONALIZATION OF THE WHEAT TRADE WILL BE DECIDED BY THE "RESULTS" AS SEEN IN THIS POLITICALLY CHARGED SECTOR.

4. IF THERE IS ANY CONSISTENCY IN INDIA POLICY IT IS AN INADEQUATE SUPPLY OF RESOURCES TO THE AGRICULTURAL SECTOR. WE HAVE SUBMITTED NUMEROUS REPORTS AND DATA ON THIS SUBJECT AND IT LOOKS LIKE WE WILL BE SUBMITTING MANY MORE. ONE LAST STATISTIC MAY SUFFICE - ACTUAL CONSUMPTION OF FERTILIZER, 2.7 MILLION METRIC TONS, IS LESS THAN 50 PERCENT OF THE TARGET THAT WAS SET BY THE GOI

5. WHERE DOES INDIAN FERTILIZER COME FROM - SLIGHTLY MORE THAN HALF FROM DOMESTIC PRODUCTION AND THE REMAINDER FROM IMPORTS. THE DOMESTIC FERTILIZER INDUSTRY (LIKE ALMOST EVERYTHING ELSE IN INDIA) IS OPERATING WELL UNDER CAPACITY FOR MANY REASONS WHICH ARE LARGELY OUTSIDE THE SCOPE OF THIS MESSAGE. THE GOI KNOWS IT AND IS TRYING TO IMPROVE THE SITUATION INCLUDING BY ASKING FOR OUR HELP. THIS

WILL TAKE TIME.

6. ON THE IMPORT SIDE THE GOI HAS GONE AROUND THE WORLD SEEKING AVAILABLE SUPPLIES AND HAS LOCATED SUFFICIENT AMOUNTS TO RUN INDIA AT ABOUT THE SAME INADEQUATE LEVELS IT HAS BEEN USING UP TO NOW. SOME OF THIS HAS BEEN CONTRACTED FOR IN THE UNITED STATES.

7. WHERE DO WE FIT IN? WE THINK WE FIT IN ON THREE LEVELS AT PRESENT: A) IMMEDIATE TECHNICAL ASSISTANCE TO BOOST PRODUCTION IN THE INDIAN FERTILIZER INDUSTRY; B) LONGER TERM LIMITED OFFICIAL USE

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TECHNICAL AND DEVELOPMENT ASSISTANCE TO PRODUCTION; C) ENSURING THAT INDIA WILL BE ABLE TO CONTRACT FOR FERTILIZER IN INDIA IN FY 75.

8. P.N. DHAR, IN THE PRIME MINISTER'S PRESENCE, ASKED THE AMBASSADOR FOR IMMEDIATE TECHNICAL ASSISTANCE TO INCREASE PRODUCTION IN THE INDIAN FERTILIZER INDUSTRY. THANKS TO STATE 026877 THE AMBASSADOR COULD IMMEDIATELY REPLY THAT WE

WOULD BE PLEASED TO ASSIST AND ASKED FOR DETAILS ON THE TYPE OF ASSISTANCE REQUIRED. AS SOON AS WE GET THE SPECIFICS WE SHALL ASK FOR THIS ASSISTANCE ON AN URGENY BASIS.

9. WHEN WE OPEN AID DISCUSSIONS WE SHALL CONCENTRATE ON REACHING AGREEMENT ON TECHNICAL ASSISTANCE AND FOCUS LATER ON FY75 PROJECT ASSISTANCE. WE HAVE THE INFORMATION NECESSARY TO OPEN TALKS - WE WILL NEED HELP AS WE GO ALONG AND KNOW WE CAN COUNT ON AID'S SUPPORT IN PROVIDING THIS.

10. THIRD, WE NEED TO ASSURE THE INDIANS THAT THEY WILL BE ABLE TO PURCHASE FERTILIZER IN THE US MARKET IN FY75. THE INDIANS ARE CURRENTLY HAVING LYINF IN SECURING DELIVERY OF FERTILIZER FROM THE US BUT THIS IS DUE TO COMMERCIAL FACTORS AND NOT GOVERNMENTAL POLICIES. THE DIFFICULTY WE SEE IS THAT THE INDIANS CANNOT CONTRACT FOR SUPPLIES OF FERTILIZER FROM THE US IN FY 75 SINCE THERE HAS BEEN NO USG POLICY DECISION ON THIS MATTER SO FAR. IT WOULD BE TOTALLY INCONGROUS TO HAVE THE SECRETARY ARRIVE IN INDIA, FRESH FROM HIS UN SPEECH WITH ITS EMPHASIS ON FOOD AND FERTILIZER TO TELL THE GOI THAT WE DON'T KNOW WHETHER THEY CAN BUT IN THE US. IT WOULD BE HIGHLY DESIRABLE FOR THE SECRETARY TO BE IN A POSITION TO ASSURE INDIA THAT SUPPLIES WILL BE MADE AVAILABLE FROM THE US TO THE EXTENT THAT INDIAN PURCHASERS CAN CONTRACT FOR THEM.

11. WE HOPE THAT YOU WILL AGREE THAT OUR REQUESTS ARE NOT UNREASONABLE.
MOYNIHAN

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